MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

DMG5034 – MANAGEMENT ACCOUNTING

(All sections / Groups)

27 MAY 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Disneyland Movies uses a job order costing system and applies overhead to production on the basis of direct labor costs. On January 2019, Job Aquaman was the only job in process. The costs incurred prior to January 1 on this job were as follow:

Direct material	RM25,000
Direct labor	RM15,000
Manufacturing overhead	RM10,000

During the month of January, Disneyland Movies began production on Job Barneys and Job Cinderella, and completed Job Aquaman and Job Barneys. Job Aquaman and Barneys were sold on account during the month for RM125,000 and RM60,000, respectively.

The following additional events occurred during the month:

1. Purchased additional materials of RM80,000 on account.
2. Incurred factory labor at a cost of RM68,000.
3. Incurred manufacturing overhead costs as follows: indirect materials RM13,000, indirect labor RM23,000, and factory maintenance RM26,000.
4. Direct materials assigned to production RM60,000. Of this amount, 50% is for Job Aquaman, 30% for Job Barneys and 20% for Job Cinderella.
5. Direct labor used in the production is as follow:

Job Aquaman	RM12,000
Job Barneys	RM10,000
Job Cinderella	RM8,000

Required:

1) Calculate predetermined overhead rate for 2019, assuming Disneyland Movies estimates total manufacturing overhead costs of RM900,000, direct labor costs RM750,000, direct labor hours of 40,000 and machine hours of 50,000. (2 Marks)

Continued...

2) Prepare journal entries to record the purchase of raw materials, the factory labor costs incurred, and the manufacturing overhead costs incurred during the month of January.

(6 Marks)

3) Prepare journal entries to record assignment of direct materials, direct labor and manufacturing overhead to production.

(6.5 Marks)

4) Compute the job completed during the month.

(4.5 Marks)

5) Prepare journal entry to record the job completed.

(2 Marks)

6) Prepare the journal entry to record the cost and sale of any job (s) during the month.

(4 Marks)

[TOTAL 25 MARKS]

QUESTION 2

Part A

Besher-2 Company manufactures a single product. Annual production costs incurred in manufacturing process are shown below for two levels of production.

	Costs Incurred			
Productions in Units	**8,000**		**24,000**	
Production costs	**Total Cost**	**Cost/Unit**	**Total Cost**	**Cost/Unit**
Direct materials	RM4,800	RM0.60	RM14,400	RM0.60
Direct labor	12,000	1.50	36,000	1.50
Utilities	2,960	0.37	13,200	0.55
Rent	12,000	1.50	12,000	0.50
Maintenance	4,960	0.62	21,120	0.88
Supervisory salaries	5,600	0.70	5,600	0.23

Required:

1) Define variable, fixed and mixed cost.

(6 Marks)

2) Classify each cost above as either variable, fixed, or mixed.

(6 Marks)

Continued...

Part B

Jumbo Lion, manufacturer of electrical devices, had the following data for 2019:

Sales	2,800 units
Sales price	RM50 per unit
Variable costs	RM20 per unit
Fixed costs	RM15,600

Required:

Compute the followings:

1) Contribution margin per unit.

(3 Marks)

2) Contribution margin ratio.

(3 Marks)

3) Break-even points in sales Ringgit Malaysia (RM) by using contribution margin method.

(3 Marks)

4) Break-even points in units by using mathematical equation.

(4 Marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

Yummy Dorayaki Company has been manufacturing its own packaging for its signature dorayaki. The company is currently operating at 100% plant capacity. Variable manufacturing overhead is charged to the production at the rate of 20% direct labor cost. The direct materials and direct labor cost per unit to make packaging are RM0.05 and RM0.70, respectively. Normal production is 60,000,000 dorayaki packs every year.

A supplier offers to make the dorayaki packaging at a price of RM0.80 per unit. If Yummy Dorayaki Company accepts the offer, all variable manufacturing costs will be eliminated, but the RM600,600 of fixed manufacturing overhead currently being charged to the packaging will have to be absorbed by other products.

Continued...

Required:

1) Prepare the incremental analysis for the decision to make or buy the dorayaki packaging.

(9.5 Marks)

2) Should the company buy or make the product? Provide your justification.

(3 Marks)

Part B

5-Star Company produces kitchen floor mats for interior designers all over Malaysia. The cost of producing 10,000 kitchen floor mats is as follow:

Direct materials	RM42,000
Direct labor	22,000
Variable manufacturing overhead	18,000
Fixed manufacturing overhead	10,000
Total	RM92,000

5-Star Company also incurs selling and administrative expenses of RM20 per kitchen floor mats. Moon Company has offered 5-Star Company RM150 per kitchen floor mat for a special order of 1,500 floor mats. The floor mats would be sold to home contractors in Melaka area and thus would not conflict with the 5-Star current sales. Selling expenses per kitchen floor mat would be only RM10 per mat. 5-Star Company has available capacity to do the work, thus the current production would not be affected.

Required:

1) Prepare an incremental analysis for special order made by Moon Company.

(9.5 Marks)

2) Should 5-Star Company accept the order? Provide your justification.

(3 Marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 4

Part A

Aprillia Company expects to produce 40,000 units of badminton racquet in the year 2020. Of this amount, 7,000 is the total units budgeted for Quarter 1, 8,000 for Quarter 2, 12,000 in Quarter 3 and the balance is units to be produced in Quarter 4. It takes 2.5 hours to make a finished badminton racquet, and the expected hourly wage rate is RM25 per hour.

Required:

Prepare a direct labor budget by quarters for the 6 months ending June 30 , 2020.

(9 Marks)

Part B

Wreck It Ralph Industries is preparing its budgeted statement of comprehensive income for year 2020. The cost manager has gathered the following information relevant to its sales, production and direct materials budgets:

Sales budget	RM610,000,000
Production budget	1,202,000 units
Direct materials budget	RM1,800,000
Budgeted Selling and administrative expenses	RM150,500,000

The company also provides the following budgeted total unit cost:

Cost Element	**Quantity**	**Unit Cost**	**Total**
Direct materials	3.5 kilograms	RM15	RM52.50
Direct labor	1 hour	RM20	RM20.00
Manufacturing overhead	0.5 hour	RM75	RM37.50
Total unit cost			RM110.00

All data for the statement of comprehensive income come from the individual operating budgets excepts interest expenses which is expected to be RM350 and income taxes which are estimated RM5,000.

Required:

Prepare the budgeted multiple-step Statement of Comprehensive Income for year 2020.

(8 Marks)

Continued...

Part C

Mac Cosmetics makes a make-up foundation called Love. The standard cost for one bottle of Love is as follow:

	Standard				
Manufacturing Cost Elements	**Quantity**	**x**	**Price**	**=**	**Cost**
Direct materials	7 grams	x	RM1.20	=	RM 8.40
Direct labor	1.5 hours	x	RM15.00	=	RM22.50
Manufacturing overhead	1.5 hours	x	RM4.20	=	RM 6.30
					RM37.20

During the month, the following transactions occurred in manufacturing 10,000 bottles of Love.

1) 60,000 grams of materials were purchased at RM1.50 per gram.
2) All the materials purchased were used to produce the 10,000 bottles of Love.
3) 15,500 direct labor hours were worked at a total labor cost of RM190,650.
4) The manufacturing overhead rate if RM4.20 is based on normal capacity of 5,600 direct labor hours.

Required:

1) Compute the price and quantity variance for direct materials. (4 Marks)
2) Compute the price and quantity variance for direct labor. (4 Marks)

[TOTAL 25 MARKS]

[GRAND TOTAL 100 MARKS]

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